OCWA

ANNUAL 2018 REPORT

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

VISION

A trusted world leader in water

MISSION

To demonstrate service excellence through the delivery of safe, reliable and cost-effective clean water

VALUES

OCWA's values are focused on building TRUST with clients and other stakeholders. We strive to gain their trust by being:

TRANSPARENT
Open and honest communication of our business activities.

RESPECTFUL
Build sound relationships with our staff, clients and other stakeholders, by embracing diversity, acting responsibly and doing what is right.

UNDERSTANDING
Confidence in the knowledge and ability of our people to meet the challenges of the water and wastewater industry. Continuously learn current trends and innovative technologies and/or processes in our industry.

SAFE
Deliver clean water services to protect our employees, the communities we serve, and the environment.

TEAMWORK
Work together, share our collective expertise and be innovative in delivering exceptional results and achieving our mission.

5
Message from John Bergsma, Acting Chair of OCWA's Board of Directors

6
Our Organization

8
Governance and Accountability

10
Providing Added Value for Our Municipal Partners

16
Supporting Learning and Community Education

20
Advancing the Evolution of Water Technology

WHAT'S INSIDE

23
Focusing on Our Employees

26
Measuring Performance – Overview of 2016 Results

28
Board of Directors

30
Officers of the Agency

32
Financials

MESSAGE FROM JOHN BERGSMA

ACTING CHAIR OF OCWA'S BOARD OF DIRECTORS

Over the past three years the Ontario Clean Water Agency (OCWA) has undergone a significant organizational transformation, the benefits of which are now being realized by both the Agency and its clients. By focusing on the needs of our clients and the long-term requirements of their water and wastewater assets, OCWA has become the forward-thinking, high-performance industry leader that it is today.

Having served on OCWA's Board of Directors since August of 2007, I have had the privilege of witnessing the Agency's transformation first-hand, the credit for which lies with our exceptional leadership team. Under the direction of the Agency's former President and CEO, Rob Andrews, who retired in February of 2017, OCWA has become more client-focused and efficient than it has ever been in the past. We are continually looking for better ways to manage our operations, reduce costs and improve our productivity, allowing us to provide better service to our client communities.

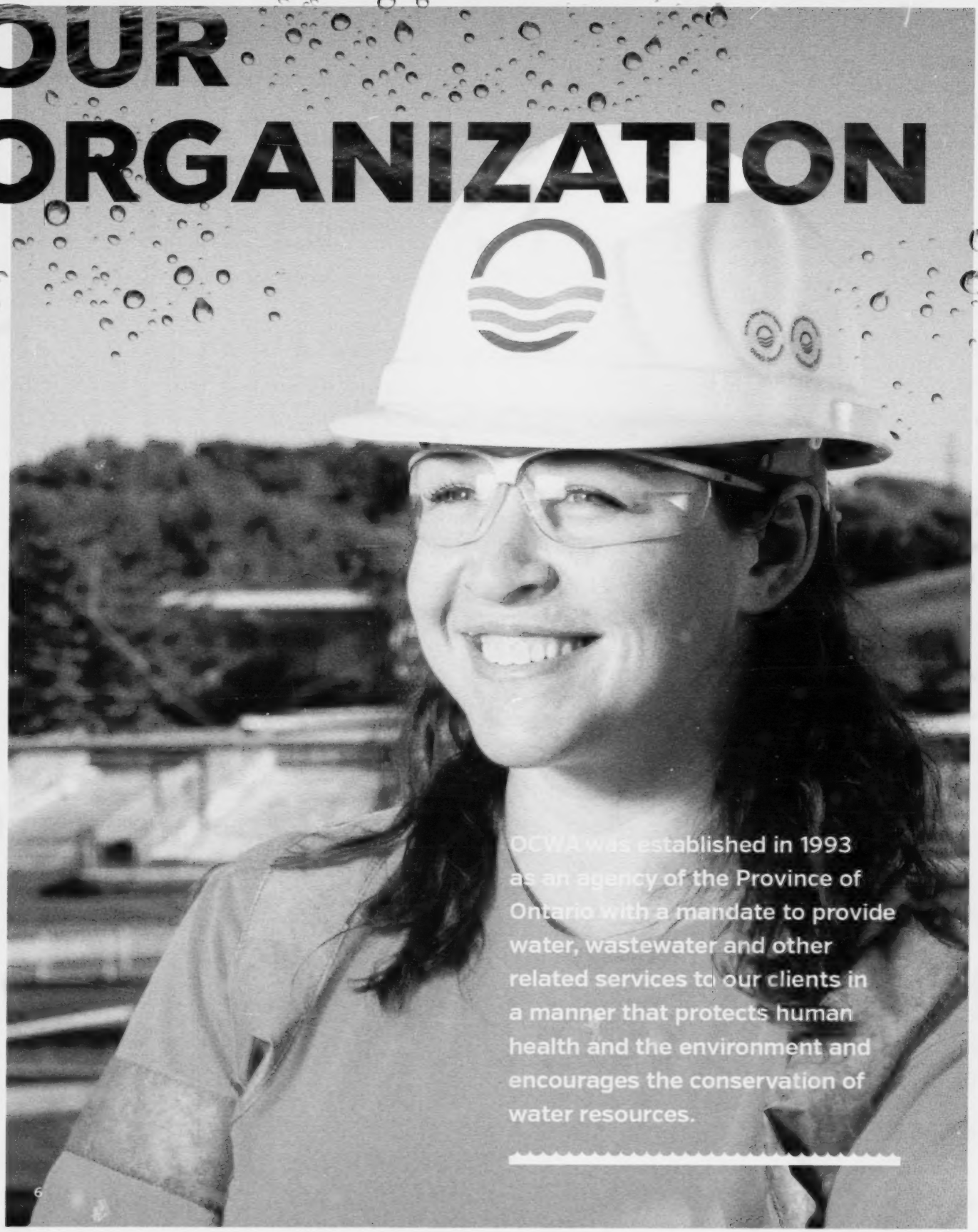
Teamwork is the cornerstone of the Agency's new approach to client service and the depth of talent that we have across the organization is unparalleled. Our 10 Regional Hubs across the province are led by a collaborative group of seasoned industry professionals who work closely with the dedicated managers and staff in each Regional Hub to continually deliver exceptional value to each of our clients across the province.

Our Regional Hub teams are supported by a centralized team of expert staff who provide a full range of value-added services, including energy management, process optimization, asset management and capital delivery. These subject matter experts work closely with our operations specialists in the field, identifying opportunities to reduce chemical and energy costs. They are also helping them to plan and implement capital improvements and establish financial plans, including rate structures, which will help our clients to ensure the long-term sustainability of their systems.

This is a pivotal time for the Agency's clients, many of whom have been struggling to manage the cost of maintaining and upgrading aging water and wastewater systems. Both the provincial and federal governments recognize the importance of maintaining the country's critical infrastructure and have committed to making significant investments in infrastructure in the years ahead. As a provincial agency with a public mandate, OCWA is well positioned to work with our clients to ensure that the funding available for their systems is best utilized to ensure their long-term sustainability and cost-effectiveness.

The Board has great confidence in the strategies that we have in place to meet the long-term needs of our clients and the people of Ontario. The Agency's 10-year growth plan is now well entrenched and with our new organizational structure in place, OCWA will continue to deliver exceptional value to our clients for many years to come. I would like to recognize the efforts of all of our dedicated staff across the province, without whom OCWA would not be the organization that it is today. Working tirelessly to provide round-the-clock support to our clients every day of the year, they help to ensure the safety of our drinking water and protect the environment in which we live.

OUR ORGANIZATION



OCWA was established in 1993 as an agency of the Province of Ontario with a mandate to provide water, wastewater and other related services to our clients in a manner that protects human health and the environment and encourages the conservation of water resources.

Since that time we have delivered a wide range of water and wastewater services to over 180 municipal, institutional, commercial and First Nation clients across the province of Ontario. We operate more than 800 water and wastewater treatment facilities and associated collection and distribution systems on behalf of our clients – more than any other operator in Canada.

OCWA has an unmatched ability to deliver excellent compliance and safety performance across diverse regions, technologies and facility sizes. Our people treat water, wastewater and stormwater for populations as large as 1.4 million in the Region of Peel and as small as 2,400 in Moose Factory, where the facility is operated remotely from Kirkland Lake.

Over 90 per cent of our employees are directly involved in developing, selling and delivering customer solutions. We deliver our services through a hub/satellite structure as part of our approach to ensuring cost-effective operations, which helps facilitate the efficient sharing of management, administration and operational systems to benefit our clients.

In addition to operations and maintenance, which is our core business, we offer our clients a broad array of related services, including financing, planning, engineering, construction, training and other technical and advisory services such as process optimization, energy management and asset management. Our goal is to assist our clients in managing their water and wastewater facilities and associated distribution and collection systems at every stage of the asset lifecycle and to help them ensure the sustainability of their water and wastewater systems. In everything we do, we are steadfastly committed to implementing innovative technologies, processes and solutions aimed at improving operational efficiency and reliability.

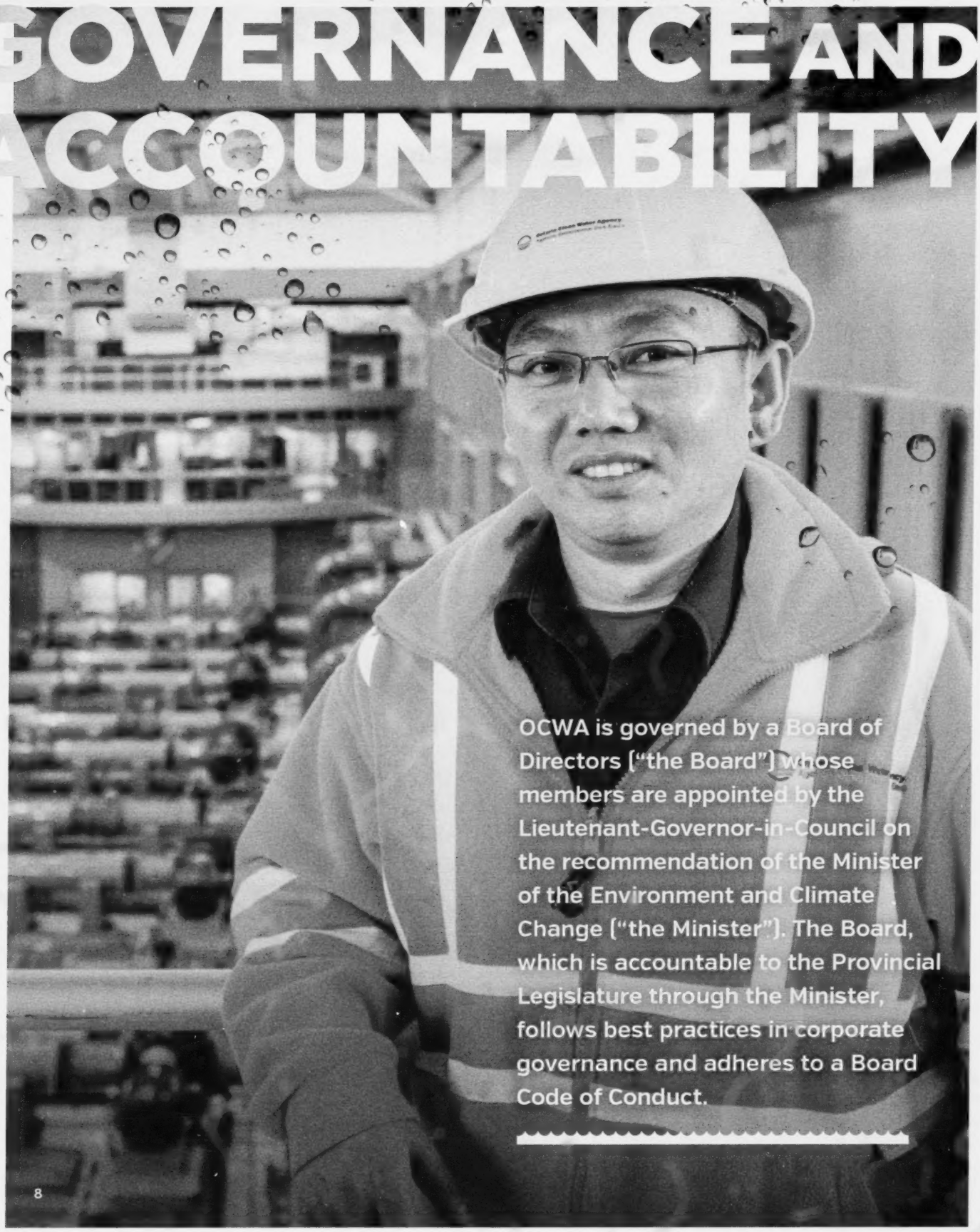
Given our mandate as a public agency, the protection of public health and safety is our top priority. Our specially-equipped and highly-trained emergency response teams are available 24 hours a day to provide immediate response to water or wastewater emergencies throughout Ontario, providing an essential resource to the Province. With locations across Ontario, we are always nearby, ready and able to provide emergency resources should the need arise. We also support the Province in safeguarding drinking water for the people of Ontario by providing training services for water operators on behalf of the Walkerton Clean Water Centre.

We meet the objectives of the *Water Opportunities Act, 2010* by working to promote, develop, test, demonstrate and commercialize clean water technologies. Across Canada and around the world, a combination of aging infrastructure and escalating capital and rehabilitation costs are forcing water utilities to find ways to do more with less. Fortunately, OCWA is well positioned to help make Ontario a world leader for water technology by connecting promising technologies with full-scale pilot sites.

We're also innovating in the area of information management. OCWA is implementing an integrated information technology system to automate the collection, analysis and control of water and wastewater facility information across one of the largest wide area networks in Canada. Our goal is to ensure that our operational staff and our clients have ready access to up-to-date information on all of the facilities that we operate.

We believe that OCWA's success with these initiatives will help the Province to conserve and sustain our water resources for present and future generations, protect the health of Ontario residents and strengthen Ontario's position as a leading global exporter of water technology products and services.

GOVERNANCE AND ACCOUNTABILITY



OCWA is governed by a Board of Directors ("the Board") whose members are appointed by the Lieutenant-Governor-in-Council on the recommendation of the Minister of the Environment and Climate Change ("the Minister"). The Board, which is accountable to the Provincial Legislature through the Minister, follows best practices in corporate governance and adheres to a Board Code of Conduct.

OCWA's governance structure, powers and responsibilities are set out in the *Capital Investment Plan Act, 1993* (CIPA). A Memorandum of Understanding (MOU) with the Ministry of the Environment and Climate Change (MOECC) further clarifies the Agency's roles and duties. We manage our operations in a manner that is fair, ethical and transparent, providing the best overall value for our various stakeholders, thereby ensuring accountability to our clients, the government and the citizens of Ontario.

The Board is responsible for setting the Agency's strategic direction, monitoring overall performance and ensuring appropriate systems and controls are in place in accordance with the Agency's governing documents. To help fulfill its mandate and oversight responsibilities, the Board has established three standing committees, the Audit and Finance Committee (AFC), the Compliance and Operational Risk Management Committee (CORM) and the Human Resources, Governance and Nominating Committee (HRGNC).

Quarterly Board and Committee meetings are complemented by at least one annual strategic planning session and the establishment of Board Task Forces to oversee the implementation of significant Agency initiatives.

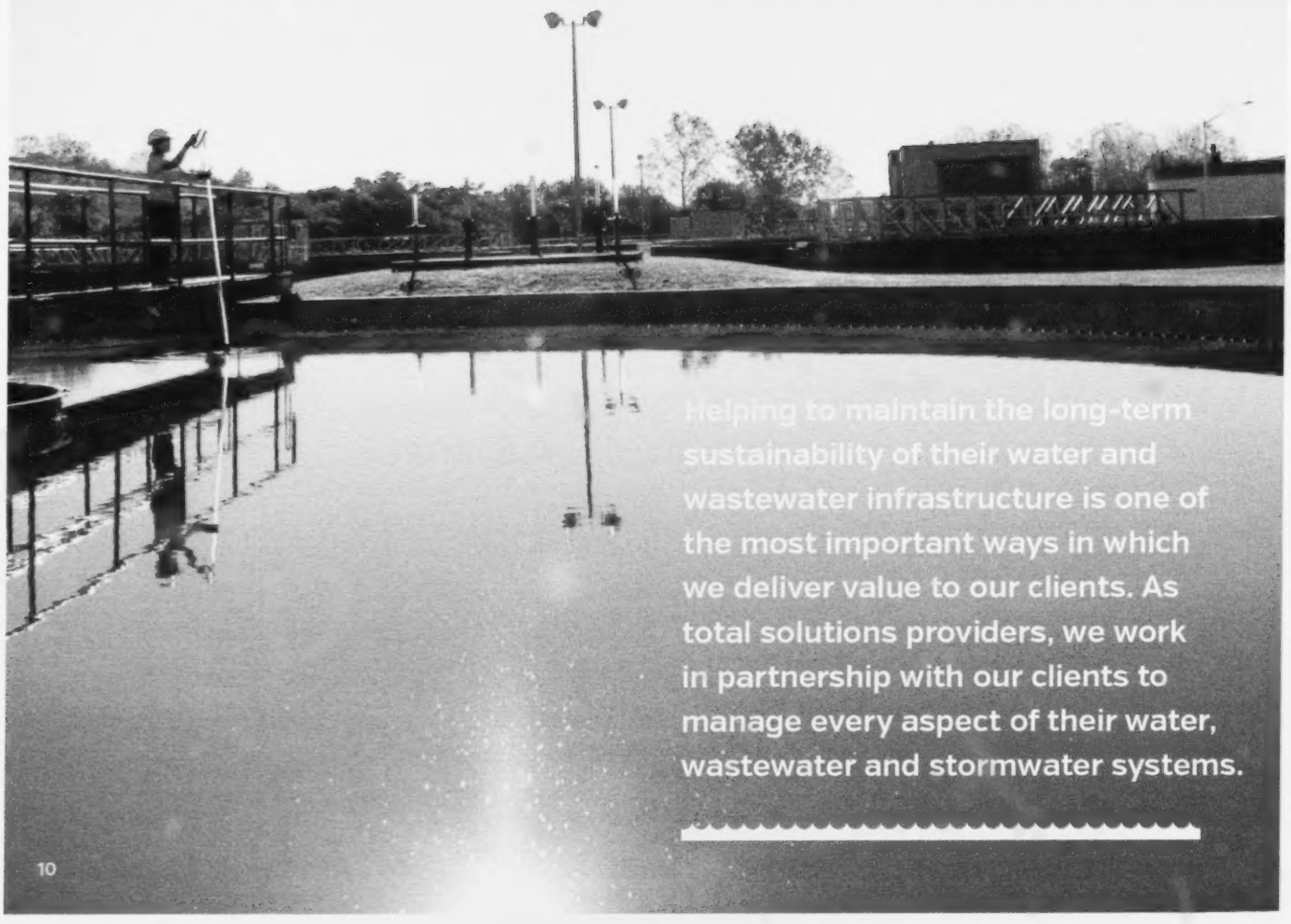
The need to manage risk is critical in the water sector, which is why we have established a comprehensive Enterprise Risk Management (ERM) Framework and Policy, aligned with the requirements set out in the Ontario Public Service (OPS) Agencies and Appointments Directive and based on best practices in the water industry. We regularly identify, assess, manage, and monitor key risks, which are reviewed by our Executive Management Team (EMT) and reported to the Board. The Board and EMT perform an assessment of enterprise risks and review and approve the ERM Framework and Policy each year. Updates on OCWA's key risks and action plans to address the risks are also provided to CORM and the Board on a quarterly basis.

ACCOUNTABILITY

OCWA is committed to maintaining accountability to our clients, the Province and the public. To achieve this we:

- Report on facility performance to our employees, clients and stakeholders;
- Publicly post the Agency's MOU with the MOECC;
- Generate a publicly available Annual Report that is approved by the Minister of the Environment and Climate Change and tabled in the Provincial Legislature;
- Produce a publicly posted three-year Business Plan which is submitted annually to the Minister of the Environment and Climate Change for approval;
- Conduct regular internal audits;
- Have annual attest audits conducted by the Office of the Auditor General and periodic Value for Money audits;
- Undergo a mandate review every seven years;
- Comply with the *Freedom of Information and Protection of Privacy Act*; and
- Comply with Ontario Public Service policies and directives.

PROVIDING ADDED VALUE FOR OUR MUNICIPAL PARTNERS



Helping to maintain the long-term sustainability of their water and wastewater infrastructure is one of the most important ways in which we deliver value to our clients. As total solutions providers, we work in partnership with our clients to manage every aspect of their water, wastewater and stormwater systems.

We help them to meet pressing needs, like replacing aging water and wastewater infrastructure assets and managing the resiliency of their infrastructure through severe weather events brought about by climate change. We also work with them to develop "State of Good Repair" asset management plans, including long-term financial plans and rate impacts, which leave them better prepared for the future.

Our Regional Hub teams work closely with our process, energy, engineering and capital delivery teams to provide our clients with expert recommendations and advice on how to increase the efficiency and capacity of their systems, reduce the cost of delivery and maximize the life of their water and wastewater infrastructure. By identifying process improvements and opportunities to reduce energy consumption, we help our clients reduce operation and maintenance costs and increase the capacity of their existing infrastructure, potentially deferring the need for costly expansions.

Our highly-skilled technical experts work with clients to identify and address water, wastewater and stormwater issues. Leveraging this expertise, they can quickly and competently manage the municipal infrastructure capital project delivery process, which is a major asset to communities that are unable to employ or retain city engineers and do not have immediate access to such expertise.

EXPANDING OUR ENERGY MANAGEMENT PROGRAM

Throughout 2016, we continued to enhance our energy management program, building on the previous success of the work that we are doing with the Independent Electricity System Operator (IESO) to reduce energy consumption in client facilities. We expanded the program to include more comprehensive Energy, Process, Asset and Capital (EPAC) assessments, which look at the facilities from a broader view of resource recovery, supported by energy and process optimization and capital and asset improvements. To date, we have completed EPAC walkthroughs at 32 water and wastewater facilities in 12 municipalities.

The IESO program, funded through the saveONenergy Conservation Fund, involves completing detailed energy assessments and capital improvement plans for client municipalities and assisting them in implementing the recommended changes, complete with incentive application facilitation and measurement and verification. We have conducted energy assessments and/or audits for more than 125 municipalities across the province to date and have completed more than 65 energy efficiency projects resulting from the audits, helping our clients to realize 20.3 million kWh of cumulative energy savings and more than $1 million in incentives.

In addition to the incentives provided by IESO and other electric utilities, which help to offset the capital costs of implementing recommended

OCWA representatives present an energy incentive cheque to the Municipality of North Middlesex.

changes, OCWA's energy program has resulted in a $1.68 million cumulative reduction in energy costs for our clients. When combined with the more than $6 million in energy cost avoidance that we have helped our larger clients like the Region of Peel realize to date, this represents a significant cost savings for Ontario municipalities.

In addition to the energy savings realized to date, 3 million kWh of potential annual savings were identified in client facilities in 2016. The changes required to realize these additional savings are expected to be implemented with approval of funding from the federal Clean Water and Wastewater Fund. We also introduced a new pay-for-performance pilot program, which is financially supported by IESO and is starting to generate significant momentum. The program provides funding to OCWA to assess and assist in the implementation of energy conservation measures that will result in further energy savings throughout Ontario. As we roll out the program, we are focused on completing detailed energy assessments and capital improvement plans for the municipalities that received energy walkthroughs as part of our original agreement with IESO and assisting in implementing the recommended changes.

Moving forward, we will continue to expand the program by developing a program to capture methane in client facilities and convert it to renewable natural gas. We will also implement a pilot program to install monitoring and targeting equipment in OCWA-operated facilities as a means of establishing facility baselines for energy and greenhouse gas consumption and reducing both with operational and behavioral changes.

CLIENT PARTNERSHIP PROFILE

Repairing and Upgrading the Hornpayne Wastewater Treatment Plant

When the clarifier, a settling tank used to remove suspended solids, at the Hornpayne Wastewater Treatment plant failed on May 19, 2016, the Town was faced with the prospect of having to complete costly emergency repairs to ensure that the facility would continue to operate in compliance with provincial regulations. While undertaking the repairs would ensure that the plant continued to operate as required, they would not provide any long-term benefits for the Town, as the aging plant was already scheduled to undergo more substantial upgrades that would make the emergency repairs redundant.

Recognizing that undertaking the emergency repairs would not be a cost-effective option for the Town, OCWA managers and staff responsible for managing the Hornepayne facility began working to identify options that would enable the plant to operate in compliance with provincial requirements without undertaking the emergency repairs until the permanent upgrades could be completed. After reviewing and rejecting other options, a solution was proposed that enabled the plant to provide partial wastewater treatment while the upgrades were proceeding. The proposal was approved by the MOECC, which received daily reports on the plant's performance throughout the upgrades.

Over the next six months OCWA staff worked to complete a number of major facility upgrades, while ensuring that the plant was operating in accordance with the requirements of the proposal approved by the MOECC. The upgrades were completed in November, 2016 at a final cost of $2.2 million, $220,000 of which was directly funded by the Town, with the rest being covered by the provincial government. Had the emergency repairs been completed in addition to the facility upgrades, the total cost to the Town would have been $70,000 higher, a significant additional cost for the Town to manage.

CLIENT PARTNERSHIP PROFILE

Supporting the Lake Huron and Elgin Water Supply Systems

In the years that they have been a client, OCWA has worked hard to build and maintain a strong partnership with the Lake Huron and Elgin Water Supply Systems. The Systems serve a combined population of more than 460,000 people in the City of London and surrounding municipalities, making them the Agency's third largest client.

In addition to helping both Systems achieve a 100 per cent inspection rating from the MOECC in 2016, and working to complete a re-accreditation of the ISO 14001 designation for each system, OCWA has worked closely with the Joint Board of Management for the Lake Huron and Elgin Systems to develop a comprehensive asset management plan. The plan, which was developed in 2016, integrates availability, reliability, quality of service, customer service, sustainability and regulatory requirements, laying the foundation for the development of a 30-year investment plan for the Lake Huron and Elgin Systems.

> From the first day of their operations contracts with the Lake Huron and Elgin Area Water Systems, OCWA has proven to be a strong partner in achieving the regional water system's goals and objectives. Our Boards of Management have commented on several occasions about the dedication and superlative service we receive from OCWA staff and we look forward to our continued relationship.
>
> Andrew Henry,Division Manager
> Lake Huron & Elgin Area Water Systems

Supporting the Joint Board of Management in every stage of their capital delivery projects, from inception to commissioning, is another way in which OCWA brings value to the Lake Huron and Elgin Systems. In the last five years, OCWA staff have provided support for $82.1 million in capital work for the Lake Huron System and $42.4 million for the Elgin System. Major projects completed in 2016 include:

- Building a $30 million residual management facility in Elgin, an additional treatment system that will positively impact source water in Lake Erie by substantially reducing the amount of sediment and chemicals returned to the environment as a discharge from the treatment plant;
- Implementing enhanced security measures, along with updated hardware and software, for the Supervisory Control and Data Acquisition (SCADA) systems in Huron and Elgin, to ensure continuity of operations in both facilities; and
- Integrating Canada's longest fiber optic transmission pipeline monitoring system into operations in Huron, which supports risk management and provides real data in support of asset management; and replacing existing filters in the Elgin facility with newer technologies that improve overall performance and water quality.

These projects, along with OCWA's participation in community-based events like shoreline clean-ups and staff development initiatives such as our apprenticeship and co-op programs, are part of our long-term commitment to ensuring the long-term sustainability of the Lake Huron and Elgin Systems, providing safe water to the communities that they serve and protecting the local natural environment. We are proud of the work that we do to fulfill all these objectives and look forward to building on our partnership with Lake Huron and Elgin in the years to come.

CLIENT PARTNERSHIP PROFILE

Developing a Long-Term Asset Plan for the Town of Kirkland Lake

Helping to develop long-term asset plans is a critical component of our commitment to delivering total water solutions for the municipalities with which we work. These plans help our municipal clients to better understand the current condition of their water and wastewater assets, what work will be required to maintain them over time and what the cost to the municipality will be to ensure that they are kept in a continual state of good repair.

That's exactly what we did for the Town of Kirkland Lake when we helped them to develop a 20-year capital plan for their systems, followed by a rate study to ensure that the systems are adequately financed over the life of the plan. The asset plan identifies the repairs and upgrades that will be required to maintain the system over the next 20 years, the cost to complete the upgrades and repairs and the impact that the cost will have on the Town's water and wastewater reserves. The accompanying rate study identifies the appropriate rates that the Town will need to charge users to maintain the financial stability of the systems.

The capital plan and the rate study, both of which will be reviewed and updated periodically to ensure that they remain accurate and up-to-date, provide the Town with a roadmap for preparing annual capital budgets and setting user rates and help to ensure that it is not faced with significant unforeseen capital costs in the future. The asset plan also helps to ensure that the Town is prepared to quickly identify qualifying projects when federal and provincial infrastructure spending programs are announced.

In addition to developing the capital plan and conducting the rate study, OCWA has been working closely with the Town to increase the efficiency of their water and wastewater facilities by completing process and energy reviews. With funding assistance from IESO and Hydro One, OCWA completed an energy audit and follow-up engineering study that identified the potential for the Town to save significantly on energy costs. By replacing two aging 125-horsepower high lift pumps in the wastewater treatment plant with new high-efficiency 75-horsepower pumps capable of delivering similar flow and pressure as the old pumps, they were able to use two-thirds as much energy. Two old 200-horsepower pumps are also being replaced with 150-horsepower pumps. The total cost to replace all of the pumps is approximately $170,000. When estimated annual energy and maintenance cost savings are combined with $24,000 in rebates from Hydro One, the payback period for the new pumps is expected to be five years.

Together, the capital plan, rate study and energy and process optimization reviews are helping to ensure that Kirkland Lake's water and wastewater facilities operate efficiently, reduce costs, and are in a continual state of good repair. They also extend the longevity of the plants and equipment, deferring the need to replace plants that have outspent their usefulness.

CLIENT PARTNERSHIP PROFILE

Optimization Initiatives in the Region of Peel

Having responsibility for operating and maintaining water, wastewater, distribution and collection systems that serve nearly 1.4 million people, including some of the largest and most sophisticated facilities in North America, is not something that we take lightly. Over the many years that we have managed the South Peel systems, OCWA has worked in close partnership with our largest client, the Region of Peel, to deliver safe, clean drinking water to municipal residents and ensure that the wastewater we treat is managed in an environmentally responsible fashion.

Throughout 2016, OCWA continued to work closely with the Region to implement a number of initiatives that improve performance, reduce energy consumption and manage the cost of operating and maintaining their water and wastewater systems. Highlights include:

Working to improve asset protection and maintenance performance through preventative maintenance – In an effort to strengthen and optimize the preventative maintenance program for the South Peel facilities, a team of OCWA and Region of Peel staff reviewed and updated the 400 Standard Maintenance Documents and 2,800 associated Preventative Maintenance documents contained in the Region-owned, OCWA-managed Computerized Maintenance Management System (CMMS). Once approved, the new and revised PMs will be used to drive the preventative maintenance activities through the South Peel water and wastewater systems, resulting in improved care of the 38,000 assets in the Peel facilities that OCWA operates.

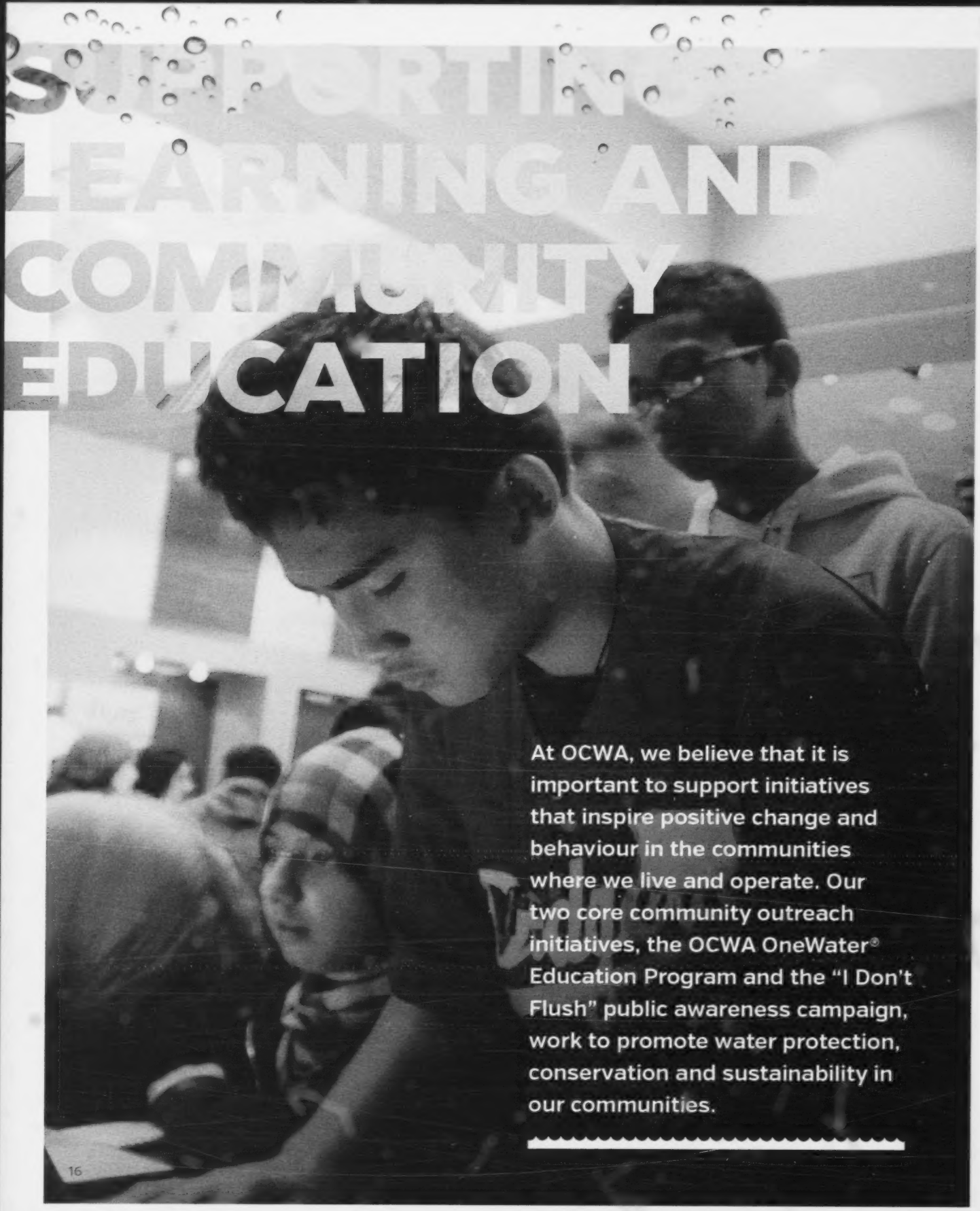
Implementing a water distribution energy management system – The Derceto Aquadept Energy Management System, which OCWA worked with the Region to implement, provides an energy efficient mode of moving water throughout the South Peel distribution system. The system uses zone pressures, cost of electricity, available storage, current pump performance curves and optimal pump configurations to determine how best to move water through the distribution system, resulting in significant energy and cost savings while maintaining a safe and reliable supply of potable water to the residents of Peel.

Managing electricity consumption to reduce costs – In 2016, OCWA staff, working in conjunction with Energy department staff at the Region, began participating in the Class A Global Adjustment (GA) program at the GE Booth wastewater plant. The program enables Class A customers (those with an average hourly peak demand of 5MW or higher) to pay the GA portion on their electric bills based on a percentage of their contribution to the top five Ontario peaks over a 12-month base period. By participating in the program and reducing energy consumption at the plant during peak demand days, OCWA has helped the Region of Peel to avoid approximately $1 million in energy costs to date.

Initiating a membrane fiber repair program – OCWA's fiber repair program, initiated in 2016, reduces the cost of maintaining the membranes used in the water treatment process by providing an on-site support team, comprised of skilled membrane technicians, that is available full-time to schedule and perform a number of membrane services, including inspection, predictive maintenance and equipment repair. Advantages of having the membrane support team in place include lower costs than hiring a third party contractor, retaining process knowledge and skills, quicker response times for repairs, support for existing operations teams and longer life of the assets. It is estimated that the change will result in annual savings of more than $120,000.

Installing LED lights throughout the South Peel facilities – Older ceiling light fixtures in the South Peel plants and pumping stations vary in wattage, from 175 watts to as high as 1,000 watts. An ongoing project to replace these older lights with high efficiency LED lights, that consume less than 100 watts and produce the same or better luminosity, is gradually reducing energy consumption, resulting in reduced costs.

Conducting research and optimization studies – Throughout 2016, OCWA participated in a number of research and optimization studies that will lead to improvements at the South Peel facilities. These studies range from investigating the potential to reduce energy consumption by replacing the boilers used to heat water for sodium hypochlorite recovery cleaning to enhance removal of organic fouling on membranes to reviewing the factors impacting ultrafiltration membrane acid cleaning regimes to determine the parameters that will optimize chemical consumption and time out of production. Other initiatives include developing a chlorination strategy for secondary disinfection to ensure consistency in free chlorination residuals and conducting research on bacteriological filtration and membrane performance in partnership with the University of Toronto's Drinking Water Research Group.



SUPPORTING LEARNING AND COMMUNITY EDUCATION

At OCWA, we believe that it is important to support initiatives that inspire positive change and behaviour in the communities where we live and operate. Our two core community outreach initiatives, the OCWA OneWater® Education Program and the "I Don't Flush" public awareness campaign, work to promote water protection, conservation and sustainability in our communities.

PROTECTING MUNICIPAL SEWER SYSTEMS

In late 2014, OCWA partnered with the Clean Water Foundation (CWF) to launch the I Don't Flush awareness campaign, which encourages the public to properly dispose of household items rather than flush them down their toilets. The first phase of the program focused on taking back unused medications to the pharmacy, with a public service announcement (PSA) starring notable Ontarians taking the "I Don't Flush" pledge. The announcement aired over 2,000 times on 20 television channels and six radio stations, and had a potential audience reach of over 30 million people through social media, web, print, television and radio coverage. Most importantly, the Health Product Stewardship Association reported an increase in pharmaceutical takeback of up to 10 per cent in targeted regions across Ontario.

In 2016, OCWA and CWF launched the second phase of the campaign, focusing on wipes and other personal hygiene products. The highlight of the second campaign was a humorous animated PSA that takes viewers into the sewer system and explains why the only things that should be flushed down the toilet are "number one, number two and toilet paper", also referred to as the "three Ps". The PSA and accompanying media outreach, which were featured on The Weather Network, Global News, online and social media outlets, and even on movie screens, resulted in another 21 million media impressions, expanding the potential audience reach for the campaign to more than 50 million.

Since its inception, I Don't Flush has received considerable positive attention from both industry stakeholders and municipalities, including being selected to receive a Utility Excellence Award (Community Outreach) from the Canadian Water and Wastewater Association. Phase three, launching in 2017, will focus on fats, oils and grease – or FOGs – which are a major problem for many wastewater facilities, forcing municipalities to expend significant time and money every year to manage the issue. The goal of the campaign is to "cut through the fat", educating the public on how damaging FOGs are to municipal wastewater systems and showing people how changing their habits can make a difference.

OCWA and CWF promote the I Don't Flush campaign on The Weather Network.

TEACHING THE VALUE OF WATER

The OCWA OneWater® Education Program was born in 2014 out of a desire to strengthen and formalize our commitment to water literacy. Working with an enthusiastic team of educators and OCWA operators from several communities across Ontario, we developed materials for grade eight students, where teachers were already focusing on water issues as part of the curriculum. Since that time, 30 schools and more than 1,200 students in OCWA client communities across the province have participated in OneWater®.

Teachers and students who have participated in the program have given OneWater® top marks. In a survey of participating classes, 93 per cent of teachers saw a demonstrable improvement in their students' knowledge of the local water system – how and why it works. As well, 94 per cent of the students said they were better informed about what should and should not be put down toilets or drains after their classroom visit by the OCWA operator.

During the 2015/16 school year we expanded the program to include an additional education model, "The Changing Great Lakes", which aims to enhance understanding of climate change and how it impacts the Great Lakes. The module engages students, households and communities in taking action – putting into motion strategies that need to be implemented now for the long-term safety, security and sustainability of the Great Lakes. The teachers that participated in the pilot of the module have provided extremely positive input, reporting that their students were engaged in and enthusiastic about the learning activities. We are excited to fully implement The Changing Great Lakes in the 2017/18 school year, adding to the nearly 200 students who have already completed the module.

OCWA operators visit a grade eight classroom as part of the OCWA OneWater® Education Program.

From teachers:

"The students really enjoyed having the local water operators in our class. Throughout the session, the students had many questions for the operators regarding the water process and specifically how this process happens with our local water systems. The operators did a great job of addressing each question. The level of engagement was very high. Every student was eagerly involved in the cleaning water activity. Many students asked me (after our session), 'Are they coming back again?' "

"Students learned how water is treated within our communities. Hands-on materials were amazing, instructors incredibly knowledgeable about the content of the program. Loved it!! Thanks for providing us with this opportunity!"

From students:

"I will tell my parents and be sure that they don't put anything bad down the drain."

"I know now not to put cleaners and grease down the drain or toilet."

"I will know to only flush the three Ps and nothing else."

HELPING STUDENTS TAKE ACTION ON CLIMATE CHANGE

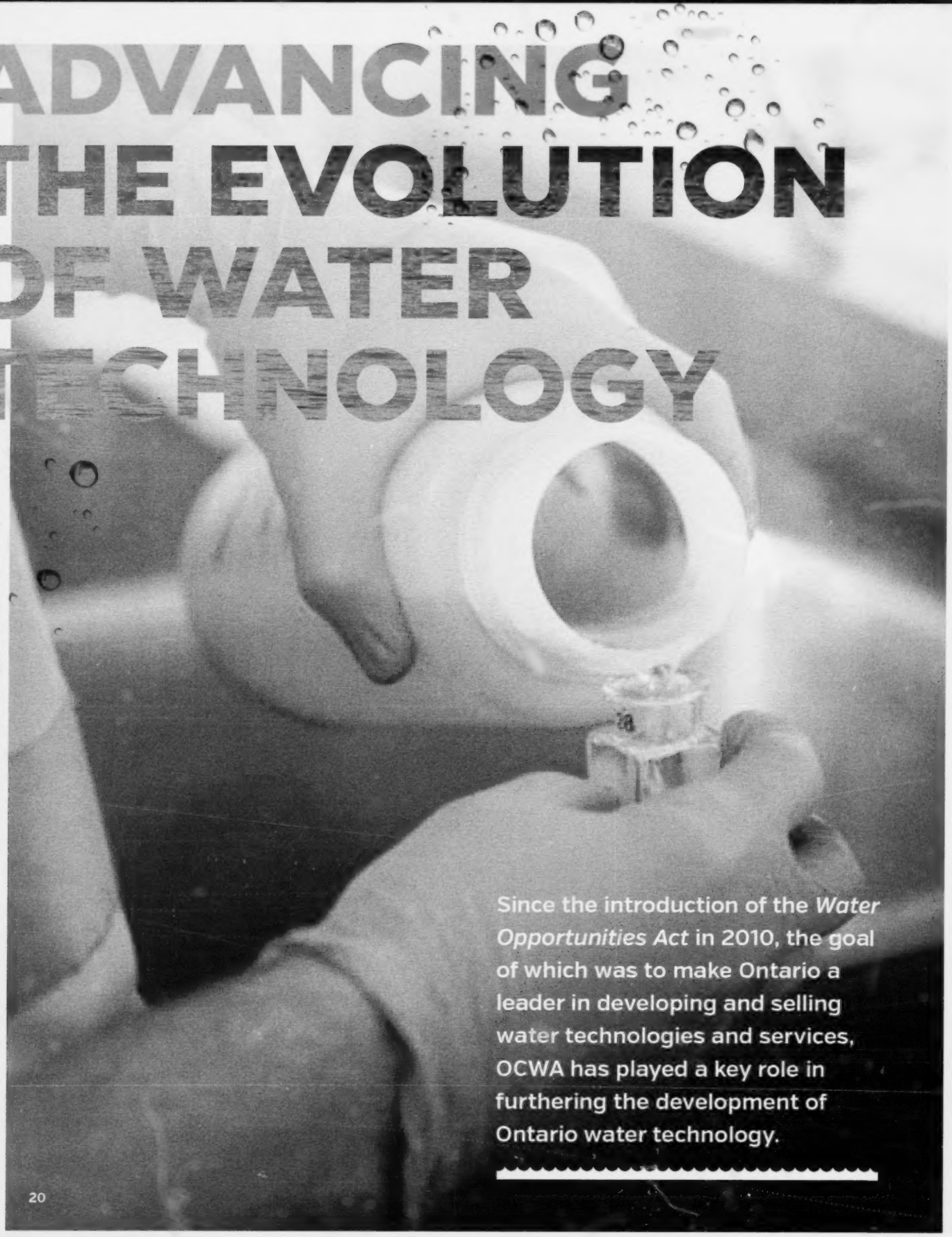
Students pose with Ontario Lieutenant Governor Elizabeth Dowdeswell during the SCInnovation 2016 event.

On April 22, 2016, 70 grade eight students from Nelson Mandela Park Public School and Winchester Jr. and Sr. Public School gathered at Ryerson University in celebration of Earth Day to tackle climate change issues and their effect on the Great Lakes. The students, who were there to participate in CGC Education's SCInnovation 2016, were grouped in teams, each of which was paired with a mentor possessing water, science and/or environmental expertise, and asked to come up with ideas on things that could be done to adapt to climate change. OCWA has been involved with SCInnovation since 2013 and was proud to support the 2016 event as both the lead sponsor and an organizer.

The day opened with a blessing from First Nations representative, Michelle Peltier, who welcomed participants to the traditional territory. Her Honour Elizabeth Dowdeswell, Ontario's Lieutenant Governor, also addressed the students, talking about the environment and their ability to make a difference in the world. Throughout the day, the students worked with their mentors to develop their ideas, with help from Microsoft's web research team. They also had the opportunity to hear from Ryerson University's Faculty of Science professors on the implications of climate change and learn about specific areas of focus.

The judges had a hard time choosing a winner, but the honour ultimately went to "Team Water Savers", whose pitch consisted of collecting and using storm water to maintain sports fields and facilities – at the same time – help abate flooding into Toronto homes. Ryerson's Social Venture Zone worked with the students throughout the summer to implement their idea in the local community, thanks to seed money provided by IBM.

ADVANCING THE EVOLUTION OF WATER TECHNOLOGY



Since the introduction of the *Water Opportunities Act* in 2010, the goal of which was to make Ontario a leader in developing and selling water technologies and services, OCWA has played a key role in furthering the development of Ontario water technology.

Our understanding of the needs of the water sector, especially municipalities, from a front-line perspective provides us with unique insight into the practical application of new and innovative ideas and products.

Working collaboratively with our clients, Ontario technology companies and other partners, like the Southern Ontario Water Consortium (SOWC) and the Water Technology Acceleration Project (WaterTAP), we identify technology solutions that address challenges facing the municipal water sector and connect them with specific locations where the solutions can be tested.

OCWA's role operating a wide range of facilities across the province, from small well systems to large state-of-the-art urban treatment facilities, provides us with a thorough understanding of water and wastewater treatment issues facing Ontario municipalities. This puts us in a unique position to work with clients to pilot and adopt new and innovative technologies. Our experienced operators and process and engineering teams are able to provide clients and companies with advice on the operability of a technology under various conditions – delivering new opportunities for lower operating costs, enhanced water quality, environmental stewardship, infrastructure renewal, reduced energy and chemical consumption and reducing the "carbon footprint" of water and wastewater operations.

FOSTERING COLLABORATION BETWEEN WATER SECTOR STAKEHOLDERS

In addition to our role as an integrator connecting technology companies with potential municipal clients, OCWA is working with SOWC and WaterTAP to introduce Ontario municipalities to emerging technologies and leading industry trends through a series of workshops that bring technology companies, municipal end-users and researchers together to discuss facilitation of technology adoption in municipalities and reduction of barriers.

In 2016, OCWA hosted two sessions that brought together a varied group of water sector stakeholders to discuss issues of importance to the sector and identify opportunities for academic research, government policy and funding support, and technology innovation and uptake. The first session, entitled "Getting to Net Zero", was held in London on March 22, 2016. At the session, participants were asked to identify what specific actions or changes would be required to transition from the wastewater treatment facilities that we have today to the "resource recovery" facilities of tomorrow,

Participants discuss the future of wastewater facilities during the Getting to Net Zero event in London, ON.

in which waste is put to beneficial use and the energy consumed by the facility is offset by energy produced from the treatment process. The second session, held in Toronto on November 30, 2016, focused on key challenges and opportunities for more widespread adoption of "smart water" tools and technologies in Ontario, looking at challenges to adoption and potential benefits for municipalities and residents.

Participants from OCWA, SOWC and WaterTAP pose during the Smart Water workshop held in Toronto.

In addition to the two sessions described above, on June 24, 2016, SOWC, OCWA and WaterTAP hosted a session which provided an opportunity for water sector stakeholders to present strategic recommendations to the Honourable Amarjeet Sohi, federal Minister for Infrastructure and Communities on how the Government of Canada can leverage the billions of dollars that have been committed to infrastructure funding to support innovation and growth, and the adoption of new approaches and technologies, including Canadian cleantech solutions, while fostering financial and environmental sustainability, resilience and new economic growth and jobs.

Summary notes from both workshops and recommendations from the infrastructure session are available online:

Net Zero Workshop Notes

Smart Water Workshop Notes

Infrastructure Session Recommendations

HOW ONTARIO'S WATER INNOVATION ECOSYSTEM SUPPORTS COMPANY GROWTH

Fundamental Research	Applied Research	Technology Development & Demonstration (Pilot to Full Scale)	Product Commercialization & Market Development	Market Entry & Market Volume

BUSINESS SUPPORT

WaterTAP Technology Acceleration Project

- Determining Better Best Practices for overcoming barriers to the adoption of innovation water technologies by end users
- Providing market development expertise through Direct Assistance Program
- Connection companies to capital, customer, and partner opportunities through its expanding global network

TECHNOLOGY DEVELOPMENT

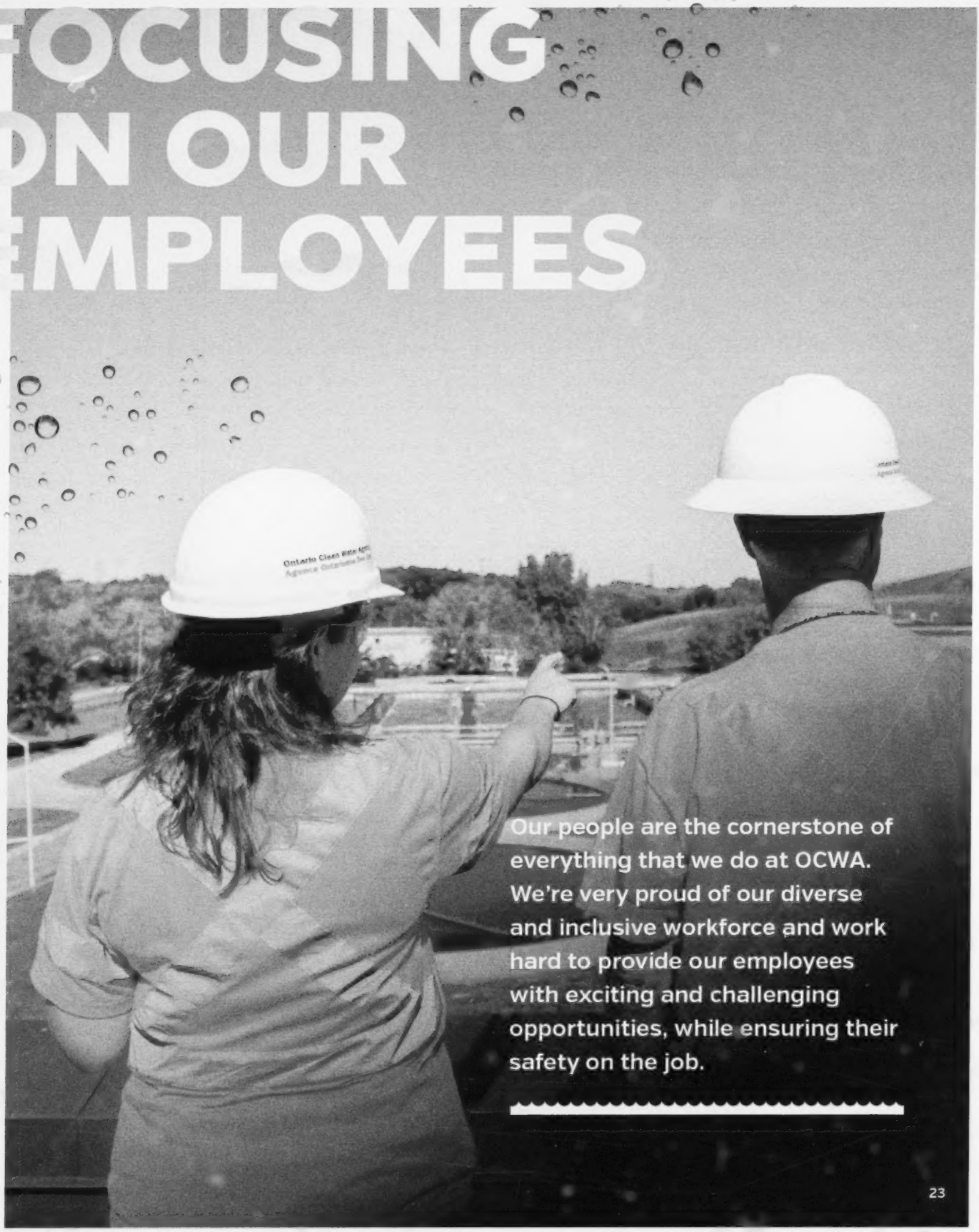
SOUTHERN ONTARIO WATER CONSORTIUM
LE CONSORTIUM POUR L'EAU DU SUD DE L'ONTARIO

- Advancing new water technologies in the critical pre-commerical stages
- Connecting companies with academic researchers and unique demonstration facilities
- Providing financial support for company-led technology development projects

OCWA
ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

- Providing safe, reliable and cost-effective clean water services to more than 200 clients
- Partnering with SOWC to review and pilot innovative, tested and validated solutions
- Focusing on opportunities for lower operating costs, enhanced water equality, environmental stewardship and infrastructure renewal

FOCUSING ON OUR EMPLOYEES



Our people are the cornerstone of everything that we do at OCWA. We're very proud of our diverse and inclusive workforce and work hard to provide our employees with exciting and challenging opportunities, while ensuring their safety on the job.

PUTTING SAFETY FIRST

Ensuring the health and safety of our employees and our contractors is a priority for OCWA and our clients. Our commitment to health and safety includes taking personal responsibility for working safely, identifying and taking immediate action on workplace hazards and actively supporting individual and collective well-being.

In 2016, we completed a comprehensive evaluation of OCWA's health and safety program, policies and initiatives with a goal to enhance the Agency's safety culture and enhance and improve our health and safety performance. Changes coming out of that review include the establishment of new Agency safety positions: the Director of Occupational Health and Safety, who has overall accountability for the Agency's health and safety program and performance, and Safety, Process and Compliance Managers, who are accountable for implementing the Agency safety programs and for the safety performance of their individual Regional Hubs.

Other changes include making the Agency's health and safety program more streamlined, evidence based and user friendly in order to better support operational needs. The program is being remodeled based on five foundational pillars: Leadership and Engagement, Risk and Controls, Worker Participation, Audit and Performance and Contractor Management. These pillars, in conjunction with the development of numerous initiatives, will raise the bar on health and safety and strengthen OCWA's health and safety culture over time. The development and implementation of additional leading indicators to measure health and safety performance will also form part of the program overhaul, which is continuing into 2017, with rollout contemplated before the end of the year.

While implementation of the Agency's new health and safety program is ongoing, OCWA's health and safety performance in 2016 showed overall improvement from the previous year. Lagging indicators of lost time and recordable incident rates, which track the rate of lost time injuries and recordable incidents for every 100 employees, both improved, with all targets being achieved. The leading indicators of operator health and safety training and near miss reporting, which helps to identify potential safety issues requiring action, also achieved their respective targets.

	2016 Target	2016 Result
LOST TIME INJURY RATE	0.58	0.58
RECORDABLE INCIDENT RATE	2.5	2.09
NEAR MISS REPORTING	50	56
OPERATOR TRAINING HOURS	12	20.7

WORKING WITH THE NEXT GENERATION OF WATER PROFESSIONALS

Providing students with an opportunity to gain real-world experience, along with some additional financial support, is one of the primary goals of OCWA's scholarship program. The program provides students who are planning an environmental career with scholarships of up to $2,500, plus a paid co-op work term, each year. Three scholarships are provided each year for:

- Students entering their second year of an Environmental Co-op Program at an Ontario college or university;
- Aboriginal students entering or enrolled in an Environmental Co-op Program at an Ontario college or university; and
- Female students entering or enrolled in an Environmental Co-op Program at an Ontario college or university.

One of the 2016 program recipients was Liz Brant, who received OCWA's Environmental Scholarship for Indigenous Students. Ms. Brant, who began her studies in September of 2016, was first hired by Mohawks of the Bay of Quinte back in 2001 to collect water samples throughout Tyendinaga Mohawk Territory. She eventually decided to pursue her Class 3 certification in Water Treatment and realized she needed to complete relevant post-secondary courses. After winning the OCWA scholarship, Liz was able to enroll in Loyalist College's Environmental Technician program part-time while working at the newly opened Mohawks of the Bay of Quinte Water Treatment Plant.

OCWA's 2016 Environmental Scholarship for Indigenous Students recipient, Liz Brant, working at the Mohawks Bay of Quinte water treatment plant.

GROWTH THROUGH NEW BUSINESS IN ONTARIO

STRATEGIC INITIATIVE
Providing Total Solutions to Our Clients and Attracting New Clients

GOAL
Maintain OCWA's existing client base, expand the scope of services provided to existing clients and attract new clients in the province of Ontario

PERFORMANCE MEASURES
- Increase revenue in 2016 by 6.1% over 2015 forecast ($185.4 million)
- Implementation of the IESO energy savings pilot program results in energy savings of 4,700 MWh for OCWA clients in 2016

YEAR-END RESULTS
- Revenue increased by 1.95% over 2015 to $177.9 million
- 32,000 MWh cumulative energy savings to date since inception of the savings program
- Additional results for 2016 include:
  - Completion of 2 project implementations resulting in 302,156 kWh of verified energy savings
  - 12 projects under implementation with estimated energy savings of 568,556 kWh
  - 25 projects under review and assessment with estimated energy savings of 6,893,556 kWh

MEASURING PERFORMANCE

OVERVIEW OF 2016 RESULTS

INCREASED PRODUCTIVITY, EFFICIENCY AND EFFECTIVENESS

STRATEGIC INITIATIVE
Organizing for Growth

GOAL
Implement OCWA's new organizational structure

PERFORMANCE MEASURES
- Regional Hub structure fully implemented by the end of 2016
- Plan for Corporate structure changes in place by the end of 2016

YEAR-END RESULTS
- New Regional Hub structure finalized and announced to staff in August
- New Regional Hub management positions hired and in place by the end of 2016
- Plan for Corporate structure changes developed and implemented in alignment with the Regional Hub structure changes

STRATEGIC INITIATIVE
Working Smarter Through the Use of Technology

GOAL
Continue OTEP implementation

PERFORMANCE MEASURES
- Process Data Management (PDM) system fully implemented with calculations to align with a CPE trial by Q2 2016
- Work Management System (WMS) and mobile smartphone/tablet application 75% complete by the end of 2016

YEAR-END RESULTS
- PDM system fully implemented including additional reports and updates
- Additional standards and integration for pilot deferred
- WMS implementation project 75% complete; remaining areas to be completed by Q3 2017
- Mobile application connectivity issues resolution and pilot ongoing; full implementation to be completed by Q1 2018

BRINGING VALUE TO OUR CLIENTS, OUR EMPLOYEES AND THE COMMUNITY

STRATEGIC INITIATIVE
Supporting Ontario Water Technology

GOAL
Support the development of Ontario water and wastewater technologies by connecting Ontario technology companies with opportunities to test their solutions

PERFORMANCE MEASURES
- Four new Ontario water and/or wastewater technologies piloted in OCWA client facilities in 2016

YEAR-END RESULTS
- Three technology trials or pilots (Ontario-based and other) completed or initiated in 2016
- Continuing to work with SOWC and WaterTAP to identify emerging technologies and address end-user needs and with MOECC to reduce barriers for new technology to be commercialized and permitted for use in Ontario
- Three processes identified for trial in 2017

STRATEGIC INITIATIVE
Developing Our Current and Future Leaders

GOAL
Ensure that our current and future leaders have the knowledge and skills to deliver on our growth strategy

PERFORMANCE MEASURES
- Training and development program for Regional Hub Managers (RHMs) implemented and delivered by the end of 2016
- Two Enterprise Utility Management (EUM) modules (Financial Viability and Integrated Demand Side Management) delivered to 80 managers in 2016

YEAR-END RESULTS
- RHM Module 1: Leadership, Team Building and Change Management delivered in Q2
- RHM Module 2: Negotiations, Collaboration and Influence deferred to Q1, 2017 in order to have the program delivered as a custom program for OCWA only
- EUM Financial Viability module delivered to 85 participants (management staff and succession management candidates) in Q2
- EUM Demand Side Management module delivered to 86 participants in Q4

STRATEGIC INITIATIVE
Educating Our Communities about the Value of Water

GOAL
Continue to enhance and promote the OneWater® and "I Don't Flush" programs

PERFORMANCE MEASURES
- The Changing Great Lakes module for the OneWater® program successfully piloted in three communities in 2016
- OneWater® implemented in ten additional client communities in the 2015/16 school year, with an additional 500 students completing the program.
- New "I Don't Flush" public awareness campaign launched in 2016 with an additional five municipalities supporting the campaign

YEAR-END RESULTS
- The Changing Great Lakes module successfully piloted in three client communities
- OneWater® implemented in eight additional communities in the 2015/16 school year; implementation in two additional communities deferred to 2016/17 due to a lack of resources in the community schools
- Approximately 500 additional students participated in the 2015/16 school year
- Implementation for the 2016/17 school year has begun in ten new OCWA communities, with an additional 1,000 students expected to have completed the program by the end of the school year
- Phase two of the "I Don't Flush" campaign launched in May with five supporting municipalities
- Campaign finished strong with over 20 million media impressions

STRATEGIC INITIATIVE
Working with First Nation Communities

GOAL
Support the development of sustainable water and wastewater treatment solutions, including effective infrastructure management, for First Nation communities

PERFORMANCE MEASURES
- Nine one-day energy conservation training sessions delivered for First Nation communities in 2016
- Four First Nations awareness training sessions delivered to staff that work with and support First Nations in 2016

YEAR-END RESULTS
- Delivery of the training sessions deferred to 2017 due to issues with the funding program
- Ontario government working to develop Indigenous Awareness training for all Ontario Public Service (OPS) employees; anticipated delivery date is Q2, 2017
- OCWA training sessions deferred to 2017 to ensure alignment with OPS training

BOARD OF DIRECTORS

AS OF DECEMBER 31, 2016

John Bergsma, Vice Chair; Acting Chair since June 2016

Term: August 2007 to September 2019

In addition to serving as the Vice Chair on OCWA's Board of Directors, John Bergsma is currently Chairman of the Board of Pioneering Technology Corp. He also sits on the Boards of St. Catharines Hydro Inc. (Vice Chair – Generation) and Horizon Utilities Corp. John served as President of Lennox Canada Inc., President and CEO of Union Gas Limited, President of Massey Ferguson Research Ltd., and Columbus McKinnon Limited. He also served on the Boards of Directors of CFM Corp., various natural gas utilities, pipeline companies and industry associations, including the Executive Committee of the Board of the International Gas Union. John is the past Chair of the Board of the Niagara Health System Foundation and served over 20 years on the Board of Governors of the University of Waterloo, including a term as Board Chair. He also served as Commissioner of Corporate Services for Niagara Region, on the Boards of the Stratford Festival of Canada, Ontario Great Lakes Renewal Foundation, the Canadian Urban Institute, and various United Ways across Ontario.

Melanie Debassige

Term: October 2013 to October 2019

Melanie Debassige has over 17 years of experience in Aboriginal Economic Development. She is currently employed with the British Columbia Assembly of First Nations as the Chief of Staff. She obtained a Diploma in Native Management and Economic Development from Trent University and a Bachelor of Arts from the University of Western Ontario. She also has a certificate in Economic Development from the University of Waterloo and is a certified Professional Aboriginal Economic Developer with the Council for the Advancement of Native Development Officers. Melanie held the elected position of Councillor with the M'Chigeeng First Nation Chief and Council for eight years and was appointed as a police commissioner with the United Chiefs and Councils of Manitoulin Police Services for seven years. She also holds a position as Director on the Mother Earth Renewable Energy Board that oversees the for-profit wind turbine corporation that is solely owned by M'Chigeeng First Nation. Melanie has also served on the Great Spirit Circle Trail Board of Directors, a not-for-profit destination marketing organization. Melanie was appointed by the Lieutenant Governor to the Ontario Clean Water Agency Board of Directors in October 2013, where she leads the Board's First Nations Task Force. Melanie completed the Director's Education Program at the Rotman School of Management and is now a certified corporate director. She also has a Master's in Business Administration. Melanie was just recognized by the Canadian Board Diversity Council in the Diversity 50, which recognizes fifty Board ready candidates across Canada.

Jon Dogterom

Term: May 2016 to May 2019

Jon Dogterom leads Cleantech Venture Services at MaRS, assisting innovative Ontario-based companies in growing their businesses. He is also part of the Management Board of the Advanced Energy Centre, a public-private partnership that was co-founded and is hosted by MaRS Cleantech with a focus on innovative domestic energy programs and strengthening international relationships to drive exports, and a member of the Ontario Smart Grid Forum. Jon has an extensive background in early-stage and high-growth alternative energy companies. Prior to joining MaRS, he led business development for Hydrogenics Corporation, where he focused on strategic partnerships, product development, and sales and marketing. He was also involved in the introduction and launch of the company's fuel cell and hydrogen generation divisions. Jon also previously worked with The Pembina Institute, leading corporate-consulting services on low-impact renewable energy and energy policy. In 1997 he co-founded Sustainable Energy Technologies, a leading Canadian provider of power electronics for the solar power industry.

Brenda Lucas

Term: May 2016 to May 2019

Brenda is the Executive Director for the Southern Ontario Water Consortium (SOWC). Since 2011, SOWC has helped water companies access unique facilities for real world demonstration, find the right researcher match across its 10 academic partner institutions and leverage R&D investments. With support from the Federal Economic Development Agency for Southern Ontario, SOWC has recently established the Advancing Water Technologies fund for collaborative demonstration projects by southern Ontario water companies. As Senior Policy Advisor to two Ontario Ministers of Environment, Brenda played a key role in the introduction and passage of the *Water Opportunities Act*. She is a member of the Forum for Leadership on Water (FLOW Canada).

Debra Sikora

Term: January 2014 to January 2020

Debra Sikora has been with the Ontario Public Service for over 26 years, joining the Ministry of Agriculture and Food and the Ministry of Rural Affairs (OMAFRA) in 2013. In her current role, she is responsible for overseeing the Food Safety and Environment Division to support the vision of Safe Food, Healthy Animals, and a Healthy Environment. Prior to joining OMAFRA, Debra was the Assistant Deputy Minister and Chief Administrative Officer with the Ministry of the Environment. Ms. Sikora earned a Bachelor of Applied Science in Geological Engineering from the University of Toronto.

Michael Thorne

Term: June 2013 to June 2019

Michael Thorne is a Municipal Consultant with over 50 years of experience in the planning, operation and construction of water, wastewater and solid waste projects. He spent 15 years with the Ministry of the Environment managing the South Peel Water and Sewage System prior to joining the Municipality of Metropolitan Toronto, where he held a variety of senior positions including the Commissioner of Works with the Metro Works Department. Since then he has provided a variety of consulting services in delivering capital water and wastewater programs for the Regions of Halton, Durham, and Peel and the City of Hamilton. He is currently working with the Region of Halton.

Mitchell Zamojc

Term: April 2016 to April 2019

Mitchell Zamojc brings over 40 years of experience within the Ontario engineering industry to OCWA, including 25 years in senior management positions with the Regional Municipalities of Peel and Halton. During his tenure in the public sector, Mitchell managed operational programs and progressive innovation in a wide range of municipal business areas. As Commissioner of Public Works for the Regions of Peel and Halton, he was responsible for a number of portfolios, including water, wastewater, solid waste, transportation, metering, fleet, Public Works facilities and buildings.

Total Director compensation for 2016 was $34,928.15.

OFFICERS OF THE AGENCY

AS OF DECEMBER 31, 2016

Rob Andrews, President and Chief Executive Officer

(until February 3, 2017)

Rob Andrews was President and CEO of the Ontario Clean Water Agency from January, 2014 until February, 2017. Prior to joining OCWA, Rob was the Chief Executive, Global Water at AECOM, where he formed and integrated the company's first global water division. AECOM Water is now the world's largest water engineering business, with annual revenues exceeding $1 billion and more than 6,000 dedicated staff providing water, wastewater, water resources and community infrastructure services to clients on six continents. Rob's other previous industry experience includes a role as the Executive Vice President, Global Water Projects and Products Division at Earth Tech, a company with annual revenue of $600 million and 3,000 staff, including several water treatment technology companies, that was acquired by AECOM in 2008.

Nevin McKeown, Acting President and CEO

(as of February 4, 2017)

Nevin McKeown has been with OCWA since its inception in 1993 and has been with the Ontario Public Service for more than 25 years. Nevin began his career in the Operations group in the South Peel Facilities and held progressively responsible management and oversight positions with OCWA, including Vice President, Operations, prior to assuming his current role as Interim President and CEO. Nevin has led a number of diverse teams and initiatives throughout his career, including the operational integration of $350 million in capital expansion projects at the Peel wastewater facilities. Nevin is a long-time member of the Water Environment Association of Ontario (WEAO) and the Ontario Water Works Association (OWWA). He holds an Operating Engineer Certificate (Second Class) and a Class Four Wastewater Treatment Certificate.

Terry Bender, Vice President, Operations

Terry Bender has been with the Ontario Public Service for over 30 years, joining OCWA at its inception in 1993. During that time, he has held many challenging and progressively responsible positions with the Ministry of the Environment and Climate Change and OCWA, including Operations Manager, Capital Works Manager, General Manager and Regional Hub Manager, before being appointed Vice President, Operations in 2016. Terry has extensive experience in all aspects of the operation and maintenance of water and wastewater facilities and has worked on numerous successful projects in OCWA facilities across Ontario, including operations contract procurement, renewals and startups. Terry is a licensed master electrician, licensed well technician and contractor, a member of the Ontario Association of Certified Engineering Technicians and Technologists and holds class 4 certification in water treatment and distribution, as well as a class 3 in wastewater treatment and collection.

Sav Chawla, Vice President, Information and Information Technology

Sav Chawla is the Vice President of Information and Information Technology (VP, I&IT) and joined OCWA in 2016. Sav brings over 25 years of experience in I&IT, having held many roles in the private sector at profit and not-for-profit organizations, as well as senior management roles in the Ontario Public Sector. As VP, I&IT, Sav has the responsibility to lead her teams to design and deliver technology solutions that will support the water and wastewater operational needs of a diverse client group.

Courtney Drew, Vice President, Human Resources

Courtney Drew has over 11 years of experience in Human Resources in the Ontario Public Service. Her career began as a Human Resources Consultant at the Ministry of Community and Social Services, after which she has held progressively responsible positions, showing strong leadership throughout. Courtney has a strong knowledge of and keen interest in employee relations, leadership and employee development. She is instrumental in leading OCWA's Human Resources to be a strategic business partner and holds an Honours Bachelors of Arts Degree from Queen's University and a post-graduate certificate in Human Resources from Humber College.

Alicia Fraser, Vice President, Engineering, Capital and Support Services

Alicia Fraser joined OCWA as the Vice President of Engineering, Capital and Support Services (VP, ECSS) in February of 2016, bringing with her more than 10 years of experience in consulting engineering, designing and project managing water and wastewater plants throughout Ontario. Prior to joining OCWA, Alicia worked for the City of Toronto, where she held progressively senior roles in the Engineering and Construction Services department, including leading a team responsible for capital delivery of approximately $55 million per year. As VP, ECSS, Alicia and her team work closely with Agency operations staff to identify opportunities to optimize the operation of client facilities, improve performance and reduce costs. Alicia's job entails guiding the team, providing technical expertise and providing capital solutions support to OCWA's operations so that they can deliver total solutions to our clients.

Richard Junkin, Vice President, Operations

Richard Junkin has been with OCWA since its inception in 1993, most recently as the Regional Hub Manager for the Region of Waterloo. A certified water and wastewater operator, Richard brings more than 20 years of valuable operational experience to his role as Vice President. He is a former member of OCWA's emergency response team, having been involved in several emergency response efforts across Ontario. Richard is also proud to have been part of the OCWA Jets, the Agency's award-winning Operations Challenge team.

Robin Kind, Executive Vice-President and General Counsel

Robin Kind joined the Ontario Clean Water Agency in November 1994 and was appointed General Counsel in 2003. In December 2015, Robin was appointed Executive Vice President. Robin's 25-year legal career spans both the public and private sector. Prior to joining OCWA, she spent several years with leading national law firms in Toronto practicing in the areas of corporate commercial and environmental law. In addition to her legal and Board responsibilities as General Counsel and Corporate Secretary, Robin also has responsibility for Enterprise Risk Management, Marketing and Communications and Community Outreach. Robin graduated from the University of Toronto Law School in 1987 and was called to the Bar in 1989.

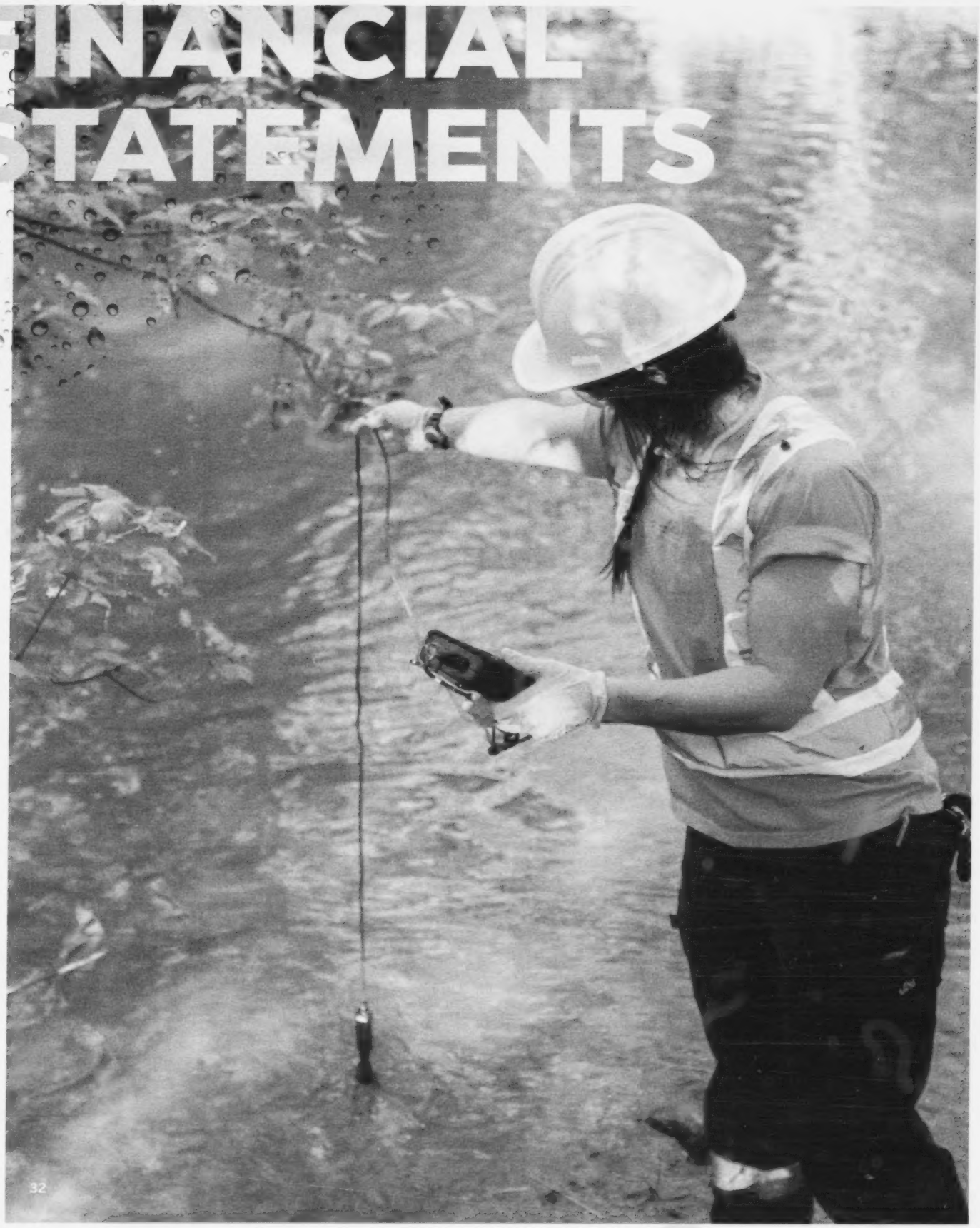
Prem Rooplal, Vice President, Finance and Corporate Services

Prem Rooplal joined OCWA in 2001 as the Manager of Accounting and Financial Analysis. He holds a Bachelor's Degree from the University of Toronto and is a Chartered Professional Accountant (CPA) and Certified Management Accountant (CMA). Prem is also a Certified Corporate Financial Planning and Analysis professional holding the FP&A certification. Prior to joining OCWA, he worked for 16 years in the private sector in Manufacturing, Construction, Retail and Pharmaceutical Research and Development.

Sandra Witlarge, Controller, Finance

Sandra Witlarge joined OCWA in September 2000 as Manager of Budgets and subsequently became Controller in May 2002. Prior to joining OCWA, she held various financial positions with a large manufacturing company. Ms. Witlarge is a Chartered Professional Accountant, Certified Management Accountant (CPA, CMA), a Certified Fraud Examiner and holds a Bachelor of Administrative Studies degree.

FINANCIAL STATEMENTS



Management Analysis of Financial Results

Overview

OCWA's strong financial performance continued in 2016, resulting in Net Income of $8.6M, 136% higher than in 2015 and well above plan for the year. Contributing factors included growth in Total Operating Revenue, primarily in Major Maintenance, combined with cost savings, management of expenses and the impact of the Agency's organizational redesign. Some one-time adjustments, including overfunding of the non-pension employee future benefit and recalculation of the employee future benefit adjustment to net present value also contributed significantly to the increase in Net Income.

Despite slower economic growth in Canada, the Ontario economy experienced growth in the 2.6% range in 2016. This was made possible by the continued low fuel costs, low Canadian dollar and low inflation. While low inflation results in low operating costs, several of the Agency's fixed price contracts are tied to the Consumer Price Index. As such, the revenue increases for fixed price contracts were in the 2% range. Major Maintenance revenue increased by 10.9% compared to 2015, resulting in overall growth in Total Operating Revenue of 2%.

The Agency continued to work with clients to find innovative solutions and efficiencies in operating their facilities. While this resulted in cost increases in the Repair and Maintenance category, efficiencies from upgrades and process improvements resulted in cost reductions in various other categories, contributing to a decrease in Other Operating Expenses of 0.3%.

Balance Sheet

Total Assets in 2016 were $234.9M. Net Assets increased by 3.8% to $200M, due to a strong Net Income of $8.6M, partially offset by claim settlement of $1.2M. OCWA's cash and investment position decreased by $0.6M, a change of 1.4%, compared to 2015, as net cash generated by operating activities was reduced by cash used for investing and capital activities. Non-pension employee future benefits were adjusted to reflect their net present value and eliminate overfunding, resulting in a decrease of 16% in the current portion and 18.3% in the long term portion of the employee future benefit. The Agency continues to meet its obligations without the use of debt. As in prior years, the Agency has zero debt.

Revenue

OCWA's growth strategy continues to focus on retaining our client base and expanding services to provide value-added services beyond the delivery of Operation and Maintenance (O&M) services. While the Agency was successful in retaining the majority of its O&M contracts in 2016, client retention levels were lower than expected due to aggressive competition, forcing price reductions as clients continue to explore different service delivery options, including operating their own facilities.

Net growth in Utility Operations increased by 2.2% compared to 2015, primarily due to strong Major Maintenance performance, which was partially offset by limited increases in O&M revenue, which increased marginally by 0.8%. Major Maintenance Revenues increased by 10.9% due to maintenance, upgrades, process optimization projects and other out-of-scope services.

Management Analysis of Financial Results

Fees revenue, comprised of revenues from Engineering, Capital Projects Delivery (CPD) and Training Services, declined by 18% compared to 2015 due to reduced demand for project management services and some course offerings. This was partially offset by CPD revenue resulting from an increase in energy management and other CPD initiatives.

Expenses

Major improvement projects resulted in a 8.6% increase in repair and maintenance costs as clients upgraded and improved their facilities. In addition, vehicle lease costs increased by 63% as replacements for aging vehicles were leased instead of purchased. These cost increases were more than offset by various cost reductions, resulting in an overall decrease of 0.3% in Other Operating Expenses.

Optimization initiatives, along with a facility termination, offset price increases for chemicals and bio-solids handling, resulting in overall cost decreases of 4% for chemicals and 16% bio-solids handling. Exposure to market volatility and price fluctuations for chemicals was minimized by establishing multi-year contracts with suppliers. While the average chemical price increase was 2.4%, major capital upgrades and process optimization initiatives at some large facilities contributed to reduced chemical consumption, resulting in reduced chemical costs. Several bio-solids contracts expired in 2016. The retendering of purchase for these services resulted in an average price increase of 1%, possibly due to lower fuel prices. Process optimization changes implemented at some wastewater facilities reduced the amount of sludge available for haulage, which translated to lowering sludge haulage costs, more than offsetting any price increases.

OCWA's insurance costs remain competitive due to the bulk purchase of this service. Compared to 2015, insurance costs decreased overall by 4%, with a liability premium decrease more than compensating for a property premium increase. Property Insurance premiums were impacted by the insurable value of facilities with increased value due to expansions and upgrades, resulting in higher property premiums. Liability insurance premiums were impacted by revenues and claims loss ratios. Increased revenues were more than offset by low loss ratios, resulting in lower liability premiums.

Amortization costs for the OCWA Tools Evolution Program, which was approved by the Agency's Board of Directors in 2012 in order to transform and modernize the Agency's information technology systems, increased by 10.3% compared to 2015. Amortization for vehicles decreased by 58% as the Agency retired purchased vehicles and refreshed the fleet with new leased vehicles, resulting in an overall decrease in amortization costs of 9.4%.

Maintenance support agreement costs decreased by 22%, as the value of maintenance support agreements related to inspections and calibrations at a large client facility decreased in 2015. This decrease was partially offset by increased maintenance support agreements costs for information technology tools.

Compensation for bargaining unit staff related to merits and cost of living increases as well as non-bargaining compensation adjustments were more than offset by a reduction in Future Employee Benefits due to overfunding and to reflect its present value, resulting in an overall decrease of 1.5% in salary and benefits.

Management Analysis of Financial Results

Investment Income

Investment Income is comprised of income from short-term and long-term investments, over-night cash balances and interest on investments receivable for water and wastewater facilities. Commercial banks, where OCWA's short and long-term investments and cash balances are held, continue to be conservative with their interest rate estimates and the expectation is that interest rates will continue to remain low in the foreseeable future.

When compared to 2015, Investment Income decreased by 3.2%, primarily due to a decrease in interest income from the loan portfolio. Interest from the Agency's loan receivable from the Ontario Infrastructure and Loans Corporation is based on variable interest rates. This resulted in a decrease in interest from this loan in 2016 due to the Bank of Canada holding interest rates low in 2016, following two prior rate decreases in 2015. In addition, seven investments receivable matured in 2015, reducing interest receivable from the loan portfolio by 34.1% in 2016. The remaining seven loans in the portfolio will be fully repaid by 2020, further reducing the Agency's potential investment income.

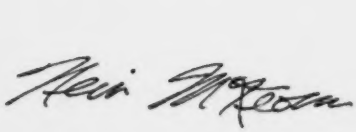
Management's Responsibility for Financial Information

OCWA's management and Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

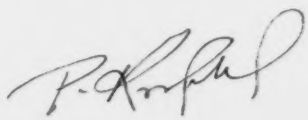
OCWA is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed, and continues to maintain, financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least once a year to review the financial statements and the external auditor's report and recommend them to the Minister of the Environment and Climate Change for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Nevin McKeown
Acting President and Chief Executive Officer



Prem Rooplal
Vice President,
Finance and Corporate Services

Toronto, Ontario
April 6, 2017

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Clean Water Agency,
the Minister of the Environment and Climate Change,
and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Clean Water Agency, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and change in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Clean Water Agency as at December 31, 2016 and the results of its operations, change in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
Fax 416-327-9862
TTY 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
Télécopieur 416-327-9862
ATS 416-327-6123

www.auditor.on.ca

Toronto, Ontario
April 6, 2017

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position

As at December 31, 2016

(in thousands of dollars)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and short-term investments (note 3a)	**42,791**	43,418
Accounts receivable, net		
Municipalities and other customers (note 3b)	**25,569**	22,890
Ministry of the Environment and Climate Change	**16**	19
Harmonized sales tax receivable	**2,258**	1,995
Prepaid Expenses	**4,269**	506
Current portion of investments receivable for water and wastewater facilities (note 2)	**579**	612
	75,482	69,440
Non-current assets:		
Investments in term deposits (note 3a)	**31,771**	28,366
Investments receivable for water and wastewater facilities (note 2)	**283**	856
Loan receivable - Ontario Infrastructure and Lands Corporation (note 3c)	**120,000**	120,000
Tangible Capital Assets, net (note 4)	**7,360**	8,721
	159,414	157,943
Total Assets	**234,896**	227,383

Statement of Financial Position

As at December 31, 2016

(in thousands of dollars)

	December 31, 2016	December 31, 2015
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	**21,152**	18,094
Current portion of employee future benefits (note 9a)	**3,998**	4,757
	25,150	22,851
Long-term liabilities:		
Employee future benefits (note 9a)	**9,764**	11,948
Net Assets	**199,982**	192,584
Contingencies and Measurement Uncertainty (note 1e)		
Total Liabilities and Net Assets	**234,896**	227,383

see accompanying notes to financial statements

On behalf of the Board

Director

Director

Statement of Operations and Change in Net Assets

For the year ended December 31, 2016

(in thousands of dollars)

	December 31, 2016	December 31, 2015
Utility Operations Revenues:		
Utility operations	**175,892**	172,033
Other Business	**2,020**	2,463
Total Operating Revenues	**177,912**	174,496
Operating Expenses:		
Salaries and benefits (note 9a and note 9b)	**71,878**	72,947
Other operating expenses	**97,198**	97,464
Amortization of tangible capital assets	**2,656**	2,930
Total Operating Expenses	**171,732**	173,341
Excess of revenue over expenses – Utility Operations	**6,180**	1,155
Interest from Investments and loans receivable	**2,393**	2,473
Excess of revenue over expenses	**8,573**	3,628
Net Assets, opening balance	**192,584**	188,998
Adjustment to Net Assets (note 7)	**(1,175)**	(42)
Net Assets, ending balance	**199,982**	192,584

see accompanying notes to financial statements

Statement of Cash Flows

For the year ended December 31, 2016

(in thousands of dollars)

	December 31, 2016	December 31, 2015
Cash Provided by (used for) Operating Activities		
Excess of revenue over expense-Utility Operations	6180	1,155
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	2,656	2,930
Increase (decrease) in future employee benefits expense	(2,184)	1,140
	6,652	5,225
Changes in non-cash operating working capital		
Accounts Receivable	(2,939)	(2,149)
Prepaid Expenses	(3,763)	(154)
Accounts Payable and Accrued Liabilities	3,058	1,788
Legislated Severance	(759)	(753)
	(4,403)	(1,268)
Net Cash Flows from operating activities	2,249	3,957
Cash From Investing Activities		
Interest	2,393	2,473
Principal Repaid on Loans	606	792
Increase in non-current Term Deposits	(3,405)	(6,539)
Net cash flows from investing activities	(406)	(3,274)
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	(1,295)	(1,817)
Cash Used in Financing Activities		
Changes in Net Assets	(1,175)	(42)
Decrease in Cash and Short-Term Investments	(627)	(1,176)
Cash and Short-Term Investments, Opening Balance	43,418	44,594
Cash and Short-Term Investments, Closing Balance	42,791	43,418

Notes to Financial Statements

December 31, 2016

GENERAL

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the "Act").

The Agency's objects include:

(a) assisting municipalities, the Government of Ontario and other persons or bodies to provide water and sewage works and other related services by financing, planning, developing, building and operating those works and providing those services;

(b) financing and promoting the development, testing, demonstration and commercialization of technologies and services for the treatment and management of water, wastewater and stormwater;

(c) carrying out the activities described in clauses (a) and (b) in Ontario and elsewhere in a manner that protects human health and the environment and encourages the conservation of water resources; and

(d) with respect to activities described in clauses (a) and (b) that are carried out in Ontario, carrying them out in a manner that supports provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

The Agency is classified as a government not-for-profit for financial reporting purposes. These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency has chosen to use the standards for not-for-profit organizations that include the 4200 series sections. The significant accounting policies are as follows:

(a) Cash and Short-term Investments

Cash and short-term investments, including a portfolio of bonds, are recorded at cost. Accrued interest is recorded in accounts receivable. Bonds are expected to be held until maturity.

Notes to Financial Statements

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Tangible Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital Assets are amortized on a straight-line basis as follows:

Computer Software	2-7 years
Information Systems	7 years
Furniture and Fixtures	5 years
Automotive Equipment	4-20 years
Computer Hardware	3-7 years
Machinery and Equipment	5 years
Leasehold Improvements	Life of the lease

(c) Revenue Recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Financial Instruments

A financial instrument is an asset that will ultimately be settled in cash.

All financial instruments have been valued at cost, which approximates fair value.

The financial instruments consist of cash and short-term investments, accounts receivable, investments receivable, bond portfolio, term deposits, loans receivable, accounts payable and accrued liabilities, and employee future benefits.

A Statement of Remeasurement of Gains and Losses has not been prepared because all financial instruments are valued at cost and there are no changes in fair value to record.

Notes to Financial Statements

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Significant items subject to such estimates and assumptions include the amortization expense, accrued liabilities and employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 5.97% and 9.63%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning January)	*(in thousands of dollars)*
2017	579
2018	228
2019	26
2020	29
	862
Less: Current portion	(579)
	283

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES (cont'd)

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at December 31, 2005. The Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment.

Other than as described in this note, there are no other provisions established for investment receivables.

3. FINANCIAL INSTRUMENTS

(a) Cash and Investments

The Agency has $74.6 million invested in bank balances, term deposits and a bond portfolio as follows:

	(in thousands of dollars)
Bank Balances	9,085
Short term bonds (coupon rates 0.75% to 4.20%)	5,306
Term deposits due within a year (Interest rates 1.70%-2.01%)	28,400
Cash and Short-Term Investments	42,791
Term deposits due within two years (Interest rates 1.75%-1.91%)	31,771
	74,562

The fair value of the bank balances and term deposits approximates carrying value and the fair value of the short-term bond portfolio is $5.3 million.

3. FINANCIAL INSTRUMENTS (cont'd)

(b) Credit Risk

The maximum exposure to credit risk consists of the total of cash and short-term investments, accounts receivable, investments in term deposits, investments receivable and loans receivable.

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full. Credit rating reviews are performed for non-municipal clients. All bank balances and short-term investments are held by large Canadian chartered banks.

A breakdown of the accounts receivable from municipalities and other customers is as follows:

	(in thousands of dollars)
0-60 days	24,242
61-90 days	259
91-120 days	231
121-150 days	131
More Than 151 days	706
Total Net Accounts Receivable Municipalities and Other Customers	25,569

An account receivable is considered to be impaired when dispute resolution has failed and the account is forwarded to legal counsel for further action. At December 31, 2016, two accounts were considered impaired. The outstanding balances totaled to $0.8 million (2015 - $0.1 million). Net Accounts Receivable includes an Allowance for Doubtful Accounts which is based on a provision for 25% of Accounts Receivable aged greater than 60 Days. The Agency believes that this policy mitigates the risk of incorrect provision.

3. FINANCIAL INSTRUMENTS (cont'd)

(c) Cash Flow Risk

The Agency has extended a $120 million loan to Ontario Infrastructure and Lands Corporation which matures on March 1, 2023 with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, it is exposed to a cash flow risk related to the fluctuations in interest rates.

(d) Other

The Agency is exposed to low risk for electricity and chemical costs because most of the contracts are structured to pass these costs through to the customer.

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

4. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	*Cost*	Accumulated Amortization	**Net December 31, 2016**	Net December 31, 2015
Computer Software	8,180	3,945	**4,235**	4,875
Information Systems	5,740	4,755	**985**	1,446
Furniture and Fixtures	219	152	**67**	86
Automotive Equipment	4,707	4,514	**193**	379
Computer Hardware	4,886	3,558	**1,328**	1,395
Machinery and Equipment	1,086	703	**383**	351
Leasehold Improvements	417	248	**169**	189
	25,235	17,875	**7,360**	8,721

The Board has approved capital and re-engineering expenditures of up to $14.7 million from fiscal 2012 to 2018 to modernize the Agency's operating and maintenance information technology infrastructure.

Notes to Financial Statements

December 31, 2016

5. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2017	2,820
2018	2,516
2019	2,034
2020	1,018
2021	210
	8,598

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in the accounts payable and accrued liabilities is a provision for restructuring costs of $1.0 million (2015 - $2.5 million) for severance costs relating to a reorganization within the Agency. The amount charged to the income statement in 2016 was $0.3 million (2015 - $0.2 million) and is included in salaries and benefits expenses in the Statement of Operations and Changes in Net Assets.

7. NET ASSETS

When the Agency was first established, the opening net assets were received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

Subsequent adjustments to the opening balance relate to legal costs that were agreed to prior to the establishment of the Agency.

In 2014, the Agency was named in an action for soil contamination clean up due to a diesel spill the circumstances of which occurred prior to the establishment of the Agency. In 2016 the claim was settled out of court for $1.2 million and the amount has been recorded as an adjustment to net assets.

Notes to Financial Statements

December 31, 2016

8. CONTINGENCIES

(a) Contingent Liabilities

The Agency is involved in various legal claims and other unresolved matters arising in the normal course of business, the outcome of which cannot be determined at this time. Most of the legal claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim.

(b) Letters of Credit

The Agency has lines of credit with the Royal Bank of Canada for $15 million. As of December 31, 2016, $11.3 million of these lines of credit have been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements.

9. RELATED PARTY TRANSACTIONS

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits obligations have been estimated at $13.8 million (2015 - $16.7 million) of which $4.0 million (2015 - $4.8 million) has been classified as current liability. The amount charged to the income statement in 2016 was $1.4 million (2015 – $1.1 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

During the year the accrued employee benefits obligation was reduced by $1.5 million (2015 – nil) due to a curtailment resulting from changes under the Public Service Act of Ontario. Prior to the curtailment, the decrease in the obligation was $0.4 million (2015 - $0.7 million)

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of $3.1 million (2015 - $2.6 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2015.

It is management's opinion that the balance at December 31, 2016 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

9. RELATED PARTY TRANSACTIONS (cont'd)

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of $4.6 million (2015 - $4.5 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

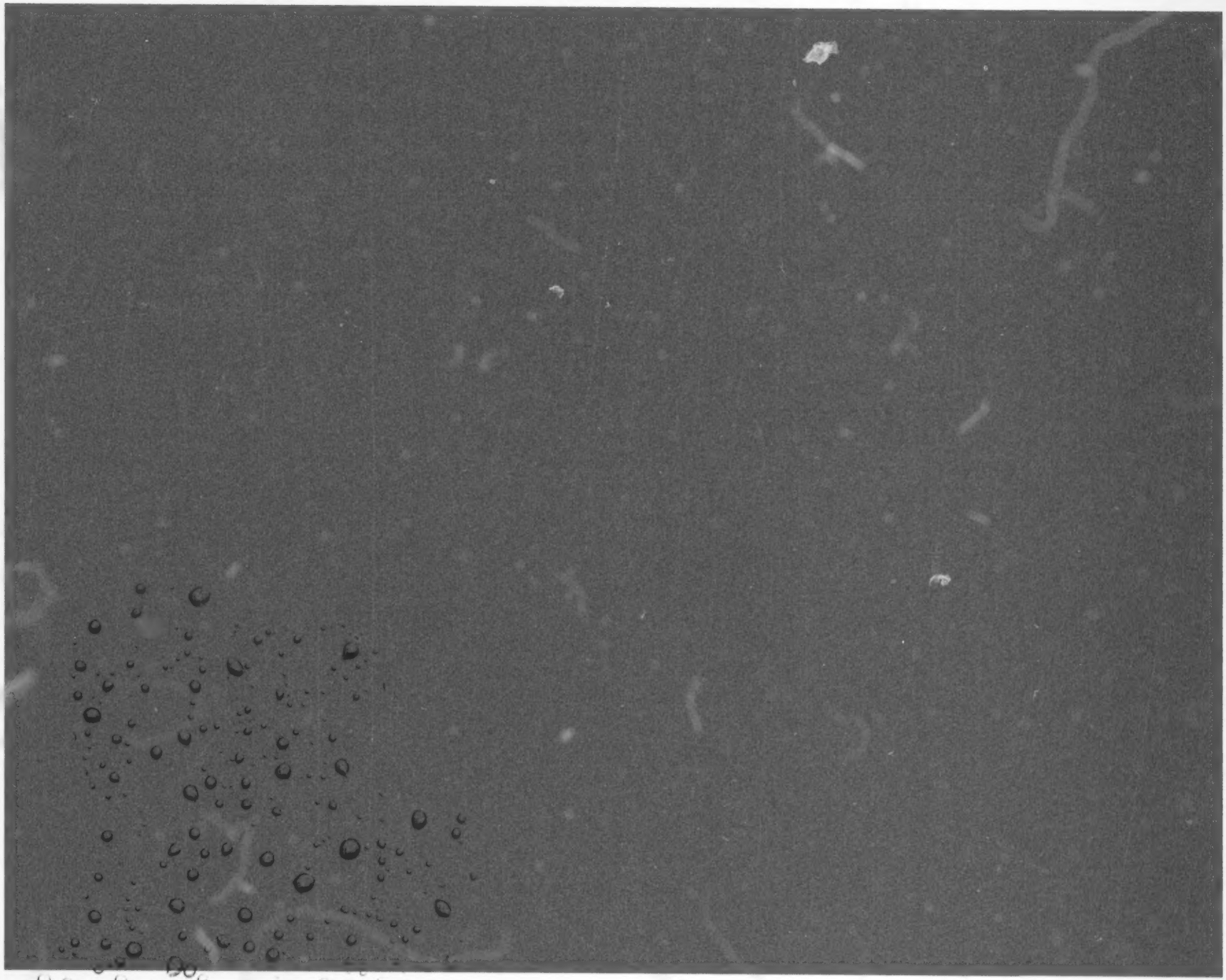
(i) The Agency received revenue of $3.0 million (2015 - $2.5 million) from the Ontario Infrastructure and Lands Corporation for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $1.6 million (2015 - $1.7 million) from the Ministry of the Environment and Climate Change for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients

(iii) The Agency received revenue of $0.1 million (2015 - $0.5 million) from the Ministry of the Northern Development and Mines for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iv) The Agency has a $120 million loan receivable with Ontario Infrastructure and Lands Corporation, as described in note 3c.

(v) The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.



ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

Corporate Office Locations:

Toronto
1 Yonge Street, Suite 1700
Toronto, ON M5E 1E5
General Inquiry: 416-775-0500
Fax: 416-314-8300

Erin Mills
Sheridan Centre
2225 Erin Mills Parkway,
Suite 1200
Mississauga, ON L5K 1T9
Phone: 905-491-3030

Mississauga
920 East Avenue
Mississauga, ON L5E 1W6
Phone: 905-274-6710

1-800-667-6292

www.ocwa.com

Stay Connected.

Regional Hub Office Locations:

Eastern Ontario
20 Bennett Drive, Suite 200
Carleton Place ON K7C 4J9
Phone: (613) 253-1590

Kawartha Trent
370 Kent Street West, Unit 1-B-3
Lindsay, ON K9V 4T7
Phone: 613-962-5454, ext.23

Georgian Highlands
30 Woodland Drive
Wasaga Beach, ON L9Z 2V4
Phone: 705-429-2525

Northwestern Ontario
574B Memorial Avenue
Thunder Bay ON P7B 3Z2
Phone: 807-622-2493

Northeastern Ontario
213 Whitewood Ave. West
Norland Building, Unit B5
New Liskeard, ON P0J 1P0
Phone: 705-647-1397

South Peel Facilities
1300 Lakeshore Road East
Mississauga, ON L5E 1E9
Phone: 905-274-1223

Waterloo
340 University Avenue, Box 636
Waterloo ON N2J 1Z1
Phone: 519-748-4141

Southwestern
450 Sunset Drive, Suite 370
St. Thomas ON N5R 5V1
Phone: (519) 637-8334

Essex
276 Rourke Line Road
Belle River, ON N0R 1A0
Phone: 519-727-6256

Huron Elgin
450 Sunset Drive, Suite 370
St. Thomas, ON N5R 5V1
Phone: 519-637-8334